

CESC Index Report for April



China Exchanges Services Co., Ltd. (CESC)



Highlights

- Mainland funds continued to flow into Hong Kong stocks, with CES SCHK100, which tracks Hong Kong blue chips up 2.6 per cent. Mainland A-share prices fluctuated sharply, with CES A80 down 0.1 per cent. Strong performance in Hong Kong stocks pushed CES 300 up 1.1 per cent.
- Mainland export growth hit a two-year high in March, with the biggest contribution from Mainland private enterprises. CES P ELITE rose 5.3 per cent.
- Macau's gaming revenue increased year-on-year for the ninth consecutive month. CES G10 surged 6.7 per cent.
- France's CAC40 rose 2.8 per cent as the likelihood of the country's leaving the EU diminished. Korean stocks hit a new high since the beginning of the year, with KOSPI up 2.1 per cent. Greater challenges in the Brexit negotiation drove FTSE 100 down 1.6 per cent.
- The exchange rate of Renminbi stabilised. Restrictions on capital outflow were partially relaxed.
- The ADT of A-share index futures traded in Singapore fell 10 per cent year-on-year.

I. Performance of CESC Indices

Mainland capital continued to flow into Hong Kong stocks. Net buy under the Southbound channel of Stock Connect approached RMB20 billion in April. Hong Kong blue chip index **CES SCHK100 rose 2.6 per cent**. Mainland A-share prices fluctuated sharply, with **CES A80 down 0.1 per cent**. Strong performance in Hong Kong stocks pushed **CES 300 up 1.1 per cent** (see Table 1).

Table 1	Index Point	Monthly Return	Volatility	Risk-adjusted Return
CES G10	4,797.59	6.7%	7.1%	0.94
CES CPE	4,534.46	5.3%	2.7%	1.96
CES SCHK 100	4,858.29	2.6%	2.7%	0.97
CES HKMI	6,253.09	2.4%	3.2%	0.74
HSI	24,615.13	2.1%	2.9%	0.73
CES 300	3,929.88	1.1%	2.1%	0.55
CES 120	5,464.89	1.0%	2.2%	0.46
CES A80	6,203.17	-0.1%	1.9%	-0.07
FTSE A50	10,390.58	-0.2%	1.9%	-0.08
CSI 300	3,439.75	-0.5%	2.3%	-0.21
HSCEI	10,219.89	-0.5%	3.1%	-0.17
CES 280	6,110.33	-0.9%	2.5%	-0.36
SZSE Component	10,234.65	-1.9%	3.7%	-0.50
SSE Composite	3,154.66	-2.1%	2.9%	-0.74

Source: CESC and Wind; data as of 28 April 2017

Mainland export growth rose to a two-year high of 16.4 per cent year on year (in US dollar terms) in March, with the biggest contribution from Mainland private enterprises. **CES P ELITE rose 5.3 per cent** in April.

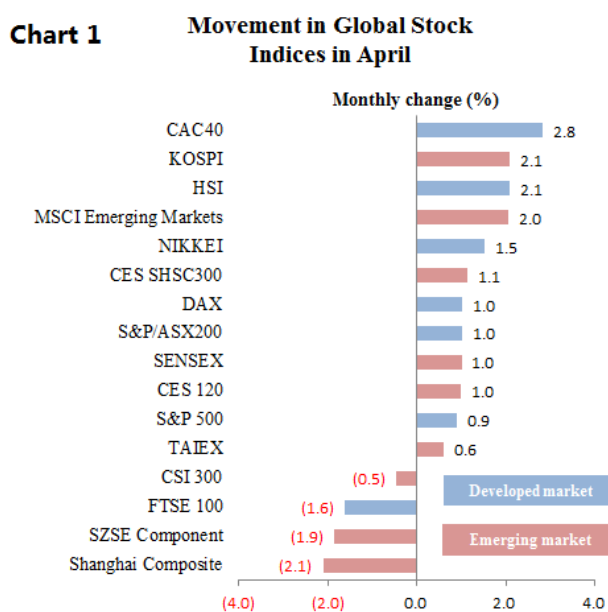
Macau’s gaming revenue rose 16.3 per cent year on year to MOP20.162 billion in April. It was the ninth consecutive month the enclave saw a year-on year increase in such revenue. **CES G10 surged 6.7 per cent**.

II. Other stock indices

Stock markets around the globe performed diversely in April amid changing international political and economic situations. Opinion polls after the first round of the presidential election in France on 23 April pointed to pro-EU candidate Emmanuel Macron as the likely winner. As the risk of France leaving the EU receded, **CAC 40 surged 2.8 per cent** (see Chart 1).

Despite tension brought by North Korea, the South Korean stock market hit a new high since January, with **KOSPI up 2.1 per cent**. Korean exports picked up slightly. First quarter GDP grew 2.7 per cent year on year. Samsung, which has a weighting of over 20 per cent in KOSPI, performed strongly. These factors kept South Korean stocks on a rising trend in April. KOSPI saw a cumulative surge of 8.8 per cent from the beginning of the year to the end of April.

The US president proposed what he claimed to be one of the biggest tax cuts in American history. He wants to cut the number of tax brackets for individuals from seven to three, lower the maximum tax rate to 35 per cent, double the tax allowance for couples and abolish the estate tax. For businesses, the proposals call for a significant cut of profit tax from 35 per cent to 15 per cent and the standardisation of the tax rates for small enterprises and partnerships at 15 per cent. A one-time tax on profits retained by US corporations outside the US is also proposed in a bid to encourage the return of such profit to the country. However, the call for large-scale tax cuts raised market fears about increased government deficits. Their feasibility is doubted and Congress’ approval is not expected. **S&P 500 rose a mere 0.9 per cent during the month**.



Source: CESC and Bloomberg, as of 28 April 2017

The UK formally began its Brexit process under Article 50 of the Lisbon Treaty. Guidelines for the Brexit negotiations were approved by the EU. They support a tough stance towards the UK and call for discussions with London on the withdrawal fee, immigrant rights and Ireland border issues. **Greater challenges facing the Brexit negotiations drove FTSE 100 down 1.6 per cent.** Britain was one of the worst performing markets in April.

III. Offshore A-share-related activities

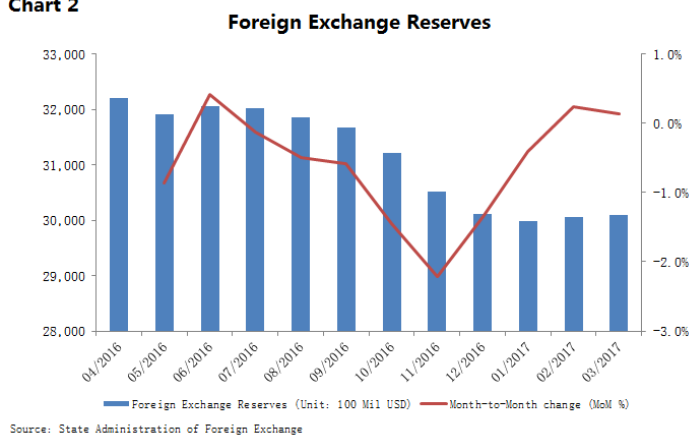
The exchange rate of Renminbi stabilised. Restrictions on capital outflows were partially relaxed.

Some Mainland curbs on cross-border Renminbi, or RMB, movements introduced in response to massive capital outflows triggered by last year’s sharp devaluation in the currency were recently eased. According to Reuters, some People’s Bank of China (PBOC) curbs on capital outflow are being lifted and the payment ratio in cross-border RMB settlement has returned to the previous level of 1.6 to 1.

In mid-January this year, there were reports PBOC had called for a payment ratio of 1:1 or less in cross-border Renminbi movements to restrict capital outflows. In brief, for every outflow of RMB100, there must be an equivalent inflow of RMB100.

According to the State Administration of Foreign Exchange, China’s FX reserves continued to steady in March at above US\$3 trillion (see Chart 2). It was the second month in a row with slight month-on-month gains after a downtrend from the middle of last year to early this year. It reflected capital outflows had eased.

Chart 2



The ADT of A-share index futures traded in Singapore fell 10 per cent year-on-year.

Although there was sharp fluctuation in Mainland A- share prices recently, trading in offshore futures on the A-share index was not active.

The average daily turnover (ADT) of FTSE China A50 Index Futures in Singapore slid 10 per cent year on year to 260,000 lots in

Chart 3



April (see Chart 3).

Open interest at the end of April was about 640,000 lots (nominal value: RMB45.8 billion).

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